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ARTICLE V

INDUSTRIAL ARRANGEMENTS

5.1 PHASE 1 DEVELOPMENT TASKS

Contractors designated by the US will be responsible for development of MLRS ground support equipment to include a self-propelled carrier, a launcher loader, on-board fire control equipment, azimuth and stabilization reference equipment, communications equipment interface, special logistics support equipment, and ammunition items to include rocket pods, rocket with M-42 dual purpose submunition warhead (DPW), and fuzing.

5.2 PHASE 2 DEVELOPMENT TASKS

Contractors designated by the Federal Republic of Germany (GE) will be responsible for projects delineated in paragraph 4.2.2. The Program Coordinator will be responsible for specifying interface requirements and for insuring that the requirements, as defined for the system design, have been met. GE may award contracts and/or have the US place contracts on its behalf, as necessary, to conduct full scale testing and other activities to fully qualify and mature the Phase 2 development project assigned to its national contractors under this program.

5.3 PHASE 3 DEVELOPMENT TASKS

It is intended that advanced technology projects and other product improvement tasks be pursued using the organizational structure defined in Article VI to assure timely initiation and proper scheduling of such efforts, and to insure the consideration of the national technologies and expertise available from the Participants. Industrial arrangements for IT Associate Membership for Phase 3 projects (as defined in paragraph 1.5.3) will be the subject of separate supplements or amendments. Industrial responsibilities will be defined with consideration to national contractor capabilities and national funding contributions.

5.4 PREPARATION OF TECHNOLOGY TRANSFER PLANS

IT may request other Participants on their behalf to task national contractors to prepare Technology Transfer Plans for developed items. At the time such request is made, IT, with the support of the other Participants as necessary, will define the scope of the MLRS TDP requirement, including identification of the components or subsystems to which the TDP applies, actions desired to obtain necessary data rights, technical assistance to be provided, and contractual arrangements to be considered. These efforts will be executed under the supervision of the Program Coordinator and will begin at the initiation of IT.

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5.5 SOLICITATION FROM CONTRACTORS

Participants (acting through their respective agencies, and on behalf of another Participant or other Participants) may, upon mutual agreement, solicit from their national contractors proposals leading to the issuance of a new contract or a contract modification for data and services in connection with development projects, the preparation and delivery of Technology Transfer Plans, and other tasks as may be requested by the Participants.

5.6 SUPPORT ASSISTANCE

Each Participant will provide assistance to the others as may be necessary for the support of negotiations and the administration of subcontracts which may be placed within their respective countries under the Development Program.

5.7 CONTRACTUAL RELATIONS

Direct relationships between participating contractors are authorized for Phase 1 and 2 projects. Necessary interface between contractors will be controlled by program management representatives.

5.8 DOCUMENTATION

Copies of all letters of authorization, contracts and modifications thereto, awarded in connection with the MLRS designs, will be provided to the office of the Program Coordinator and will be made available to each National Project Manager upon request.

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ARTICLE VI

PROGRAM MANAGEMENT

6.1 JOINT STEERING COMMITTEE

6.1.1 Italian Representation

IT will be represented on the Joint Steering Committee (JSC), established under the Basic MOU to monitor the implementation of tasks or projects pertinent to the MLRS cooperative program, by a senior national representative who will be a non-voting member on all matters pertaining to the development activities for Phase 1 and 2 projects, and a voting member on all matters pertaining to the production and subsequent activities for Phase 1 and 2 projects, subject to the provisions of paragraph 9.1. Other IT representatives may attend committee meetings as required.

6.1.2 Functions of Committee

The JSC has the following specific functions: To give guidance and basic instructions to the Executive Management Committee (EMC) with regard to program tasks, and to monitor and approve the implementation of program decisions in accordance with the terms of the Basic MOU and this Supplement.

6.1.3 Decisions and Disputes

The JSC will make its decisions by the unanimous agreement of those Participants having voting rights. No country can be overruled on an issue concerning the internal management of tasks assigned to its National Implementing Agencies by its own government. In the event that unanimous agreement cannot be reached among Participants having the right to vote, each member will immediately submit the matter in dispute to higher authority in his own government, normally the National Armaments Director, in a JSC statement, for resolution. Each member of the JSC will be responsible for the necessary coordination between the cognizant agencies in his own country in regard to the formulation or revision of nation positions.

6.2 EXECUTIVE MANAGEMENT COMMITTEE

6.2.1 Italian Representation

IT will be represented on the Executive Management Committee (EMC), established under the Basic MOU, by its National Project Manager and representative of the operational user. The EMC implements the tasks enumerated in the Basic MOU and this Supplement. Each Participant has only one vote. IT will be a non-voting member on all matters pertaining to development activities for Phases 1 and 2 projects, and a voting member on all matters pertaining to the production and subsequent activities for Phases 1 and 2 projects, subject to the provisions of paragraph 9.1. The EMC will be chaired by the US Project Manager who is the overall Program Coordinator. The EMC will meet at least twice a year.

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6.2.2 Functions of Committee

The EMC will implement the tasks enumerated in the Basic MOU and this Supplement and the instructions issued by the JSC, and provide overall coordination of the development and production planning activities for the Participants. The committee will regularly report to the JSC on the progress of projects and national work tasks.

6.2.3 Decisions and Disputes

The EMC makes its decisions by unanimous agreement of those Participants having voting rights. No country can be overruled on an issue concerning the internal management of tasks assigned to its National Implementing Agencies by its own government. In the event that agreement cannot be reached on a substantive issue among the Participants having the right to vote, the matter will be submitted immediately to the membership of the JSC by the Chairman.

6.2.4 Establishing and Dissolving Joint Working Groups

The EMC has the authority to establish and dissolve the Joint Working Groups, provides their terms of reference, and directs their activities.

6.3 PROGRAM COORDINATOR

The Program Coordinator will be responsible for:

6.3.1 Allocation of Resources

Recommending to the Participants the allocation of resources to insure that assigned development tasks remain on schedule, within cost, and satisfy the agreed objectives for the MLRS program. In carrying out this responsibility, the Program Coordinator will act through and in coordination with the National Project Managers.

6.3.2 Configuration Management System

Establishing a configuration management system and maintaining control of the MLRS Baseline Design Configuration by approving all changes thereto throughout the program life cycle. In exercising this authority, the Program Coordinator will be guided by a System Configuration Control Board which will contain a representative of each Participant.

6.3.3 Executive Management Committee

Chairing the EMC.

6.3.4 Relation to Working Groups

Receiving the recommendations of Working Groups and acting upon them in the best interest of all Participants in coordination with the EMC.

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6.3.5 Joint Program Reviews

Conducting joint program review and planning meetings to evaluate and guide work in progress and insure that program objectives are being met in accordance with the national time frames.

6.3.6 Progress Reports

Submitting formal progress reports to the JSC at least semi-annually.

6.3.7 Relation to Joint Steering Committee

Receiving and acting upon the instructions of the JSC in accordance with the provisions set forth in 6.1.2 and 6.2.2.

6.3.8 Program Management Office

Directing the activities of the Program Management Office (PMO).

6.4 WORKING GROUPS

Working Groups will be established to study or coordinate specific aspects of the MLRS effort and report their findings to the EMC. Participants will normally appoint at least one representative to each Working Group. The following Working Groups have been established:

6.4.1 Training and Operational Employment Working Group

Objectives: To interpret user requirements; to monitor operational test results; to evaluate system impacts resulting from the adoption of new employment doctrine and tactics; to evaluate system design changes for compatibility with tactical requirements; to exchange information on employment, doctrine, tactics, organization, and training for MLRS units; and to formulate and evaluate training programs, training organizations, and training facility requirements.

6.4.2 Logistics Working Group

Objectives: To formulate, evaluate, and prepare implementation plans for a common logistics support system to include maintenance, resupply, repair, equipment requirements, and other support considerations for deployment of the system in Europe. The logistics Working Group will be guided by the principles contained in Annex C, Logistic Support Principles.

6.4.3 Production Planning Working Group

Objectives: To develop joint production plans for production of the MLRS system by US and European contractors; to delineate requirements for technical assistance during development; to draft a procurement supplement to the Basic MOU for consideration by the Participants; and to evaluate the measurement standards incorporated in the system design.

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6.4.4 Test Integration Working Group

Objective: To integrate the MLRS Program Test Plan, recognizing that all testing is to be considered joint testing except for operational testing which may be conducted separately for national evaluation purposes prior to introduction of the MLRS into national forces. The integrated test plan will be designed to obviate the need for such separate national testing as far as is practicable.

6.4.5 Product Improvements Working Group

Objectives: To evaluate potential product improvements to the baseline design; to recommend a project structure and work shares for potential product improvement tasks; to evaluate second generation ammunition possibilities among other possible improvements; and to evaluate the application of newly evolving technologies to the MLRS design.

6.5 PROGRAM MANAGEMENT OFFICE

6.5.1 Establishment and Location

The PMO has been established at Redstone Arsenal, Alabama. The activities of the PMO are those necessary to enable the Program Coordinator to administer the overall development and procurement planning program for the MLRS on behalf of the Participants in accordance with the Basic MOU and the Supplements thereto.

6.5.2 European Staffing

FR, GE, and UK have provided suitably qualified representatives to the PMO staff. Within a reasonable period of the effective date of this Supplement IT will provide at least two suitably qualified permanent working representatives to the US PMO. The duties and qualifications of these representatives will be negotiated with the Program Coordinator and the National Project Manager of IT.

6.5.3 Supervision of Representatives

IT will authorize the Program Coordinator to direct the activities of IT representatives in the PMO in support of program activities. Their status will be defined by mutual agreement between the Program Coordinator and the National Project Manager concerned.

6.6 NATIONAL IMPLEMENTING AGENCIES

6.6.1 Contractors

6.6.1.1 Each Participant individually will be responsible for the selection of national contractors to execute tasks under this Supplement.

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However, each Participant will:

Consult with the other Participants prior to solicitation for a contract;

Take into account the interests of the other Participants in establishing the evaluation criteria for source selection; and

Inform the other Participants of their rationale for the selection decision.

6.6.1.2 The relationship of contractors of different nations to each other will be as defined or limited by the terms and conditions of the Basic MOU and this Supplement or as defined by the EMC.

6.6.2 Supporting Activities

Each Participant will support the execution of national projects through the provision of specialized management assistance, access to technical facilities and personnel, provisions for testing and demonstration of capabilities, and provisions for program support in the areas of operational planning, logistics planning, training planning, production planning, and the evaluation of product improvement concepts.

6.6.3 National Project Managers

IT will appoint a National Project Manager with authority to coordinate the activities of its National Contractors and supporting agencies and to direct the execution of tasks assigned under this Supplement in accordance with its own national policies and procedures. Specifically, a National Project Manager will be responsible for:

6.6.3.1 Serving on the EMC and providing interface with the other Project Managers.

6.6.3.2 Coordinating the accomplishment of national tasks within the framework of the overall program plan and schedule.

6.6.3.3 Monitoring the progress and accomplishments of national contractors.

6.6.3.4 Monitoring the progress and accomplishments of any Working Group for which his nation has proponentcy.

6.6.3.5 Achieving the performance objectives of assigned tasks in the most effective and economical manner.

6.6.3.6 Planning, directing, and controlling the allocation and utilization of all national resources committed to the program.

6.6.3.7 Providing cost and technical data to support the submission of national budget requests.

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6.6.3.8 Insuring that the approved configuration management plan is implemented and controlled.

6.6.3.9 Controlling approved system interfaces and the identification of all nationally developed system components.

6.6.3.10 Providing Configuration Control Board and Test Integration Working Group membership.

6.6.3.11 Implementing the security data exchange and industrial property rights provisions of this Supplement.

6.6.3.12 Providing data and assistance to other Participants through their project managers, as required.

6.6.3.13 Notifying the Program Coordinator promptly of internal problems that could adversely affect required system performance, cost, or schedule.

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ARTICLE VII

EXCHANGE AND PROTECTION OF INFORMATION AND INDUSTRIAL PROPERTY RIGHTS

7.1 OBJECTIVES

It is the objective of the Participants to acquire rights of use and to transfer technical information and patents necessary for each Participant, at its option, to have produced by its national contractors the entire Phase 1 and 2 MLRS, or its subsystems and components, for defense purposes, and to the extent agreed by the Participants for third party sales.

7.2 MANUFACTURING RIGHTS

The Participants recognize that complete manufacturing rights must include both Foreground Information (as defined in paragraph 3.13) and Background Information (as defined in paragraph 3.1). To the extent that Background Information is owned by third parties, rights may be obtained either:

7.2.1 By direct negotiation with the commercial owners of such intellectual property rights in the country of a Participant developing the equipment, or

7.2.2 By indirect negotiation through the government of the country developing the equipment.

7.2.3 It will be permissible for a Participant (or its nominated contractor), at its option, to negotiate directly with the commercial owners of intellectual property rights in the country of another Participant to obtain essential foreground and background information (including third party rights), only if such rights are not automatically available as a result of prior arrangement between the developing government and its contractors. At the time of a signature of this Supplement, IT will be provided a list of all intellectual property rights potentially falling into this category. This list will be updated prior to signature of a Procurement Supplement.

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7.3 DISCLOSURE OF INFORMATION

7.3.1 Background Information

7.3.1.1 Each Participant will furnish to IT reports summarizing MLRS Phase 1 and 2 program work accomplished and progress made prior to the signing of this Supplement. To the extent known, each Participant will advise IT as to any intellectual property rights established in such program areas. In addition, each Participant will, in respect of work for which it is responsible, secure and provide to the extent that it has the right to do so to the other Participants any (all) applicable background information pertaining to the specific topics undertaken in the program.

7.3.1.2 Insofar as any intellectual property rights in technical information or inventions are owned or controlled by third parties or other private parties and which cannot be granted without the granting party incurring royalty costs or other liabilities, each Participant will, on request, use all reasonable efforts to secure or assist the requesting Participants to secure, on fair and reasonable terms, the disclosure of this information. The rights of use of technical information and patents will be subject to reasonable return of costs to the developer of such technical information or patents, in accordance with this paragraph.

7.3.2 Foreground Information

Each Participant will provide promptly to the other Participants all technical information generated in the course of work performed under that portion of the MLRS Phase 1 and 2 development projects for which it is responsible, and will promptly supply copies of patent applications, if any, for inventions conceived or first actually reduced to practice in the course of such work.

7.4 USE

Each Participant, in respect of work for which it is responsible, will:

7.4.1 Provide to the other Participants the right to use and authorize its contractors to use without payment, for the purposes of the cooperative development program, for defense purposes and for third party sales of equipment to other NATO nations, all reports and technical information provided under paragraph 7.3.2 above, and to the extent it has a right to do so, that provided under paragraph 7.3.1.1 above, together with any necessary license under patents covering inventions or discoveries conceived or first actually reduced to practice in the course of or under this program.

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7.4.2 Use all reasonable efforts to provide to the other Participants on request the right to use on fair and reasonable terms for the purposes of the cooperative development program and for defense purposes, privately owned or controlled technical information referred to under paragraph 7.3.1.2 above, together with any necessary license under patents owned or controlled by the suppliers of the information.

7.4.3 Use all reasonable efforts to provide to the other Participants on request the right to obtain for itself and its contractors at fair and reasonable terms the use of information and patents not available under paragraph 7.4.1 above, for the purpose of third party sales of equipment, subject to the provisions in Article IX.

7.5 ACQUISITION OF THIRD PARTY RIGHTS

7.5.1 Negotiation

In cases where a Participant is obliged under paragraphs 7.3 and 7.4 above to use all reasonable efforts to secure for another Participant the use of Background Information or a third party right, that Participant will negotiate the terms and conditions of such use at such time as the requesting Participant furnishes to the negotiating Participant adequate funds for the purchase of such rights of use.

7.5.2 Notification of Inability to Negotiate

If the owner of technical information or a right necessary for the use of the item developed is not prepared to grant the use of that information or right, or to grant it on reasonable terms, the Participant negotiating with him will immediately notify the interested Participant stating the specific circumstances.

7.6 PATENTS

7.6.1 Prior Patents

Nothing in this paragraph will confer any right under a patent for an invention both conceived and first actually reduced to practice prior to the commencement of work under this cooperative project.

7.6.2 Responsibility for Filing Patents

The Participant in whose territory work is performed will, in the country of the other Participants, file, cause to be filed, or provide the other Participant the opportunity to file patent applications covering inventions conceived or first actually reduced to practice during the performance of the work of the program, subject to contract terms and conditions applicable to such work.

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7.7 LIMITATION ON FURTHER DISCLOSURES

7.7.1 Limitation of Rights

No Participant will use or disclose information which, under this Supplement, is subject to limited rights of use or disclosure except within the scope of the rights accorded to it herein.

7.7.2 Disclosure of Limited Rights

Information limited in disclosure or use will be so marked at the time it is supplied and such markings will be affixed to any such information subsequently supplied to other agencies or contractors. Upon any such transfer, the transferring Participant will obtain the written agreement of the recipient not to use or disclose such information except within the stated limitations.

7.8 CONTRACT PROVISIONS

Each Participant will insert into all its MLRS contracts, and require its contractors to insert in corresponding subcontracts, a clause requiring its contractors (or subcontractors) to:

7.8.1 Make available to the other Participants the rights and protections set forth in this Supplement.

7.8.2 Specify any established rights claimed in respect of information associated with the contract work.

7.8.3 Insure right of access in accordance with this Supplement.

7.8.4 Notify their government immediately if they are subject to any license or other agreement which will operate to restrict their government's freedom to disclose information or permit its use.

7.8.5 Use all reasonable efforts, if requested, to secure the relaxation of any restrictions.

7.8.6 Not to enter into any new agreement or arrangement which will result in restrictions on free use of system data by Participants without the consent of the contracting government acting with the approval of the other Participants.

7.9 EXPORT CLEARANCE

In respect of any transfer of information and licenses resulting from direct negotiation under paragraph 7.2.1 the government of the country developing the relevant data will grant any necessary export clearances.

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7.10 TRANSFER OF TDP FOR PRODUCTION

The TDP for production will not be transferred to IT until the terms and conditions, to include financial arrangements, for such transfer are established and implemented.

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ARTICLE VIII

FINANCIAL ARRANGEMENTS

8.1 GENERAL

In consideration of the collective advantages and benefits to the Participants to be derived from participation in the Cooperative Development Program, and of the current imbalance in programmed direct expenditures for development of the design as between the US and the other Participants, each other Participant will bear a share of the development risk of the program by financing of its assigned national development tasks or by a financial contribution to the costs of the Phase 1 development effort, or both. Recoupment of the imbalance of development costs among Participants will take place during procurement as stated in paragraph 8.3.

8.2 DEVELOPMENT PROGRAM COSTS

Subject to later recoupments as specified in paragraph 8.3, Participants will bear the costs of the development program as follows:

8.2.1 US will bear the program costs of Phase 1 development effort to include the costs for design, development, and test of the MLRS ground equipment and rocket with dual purpose submunition (M-42) warhead (DPW), less the financial contribution of the UK and FR as provided in paragraph 8.2.3 of the Basic MOU, and less the financial contribution of IT as set forth in paragraph 8.2.3 of this Supplement, and such other program costs as will be borne by IT and the other European Participants as a result of tasks assigned to its national agencies and contractors in support of the overall program. These US development costs will ultimately be shared among the Participants entering into the Procurement Program in accordance with the terms in paragraph 8.3.

8.2.2 GE will bear the program costs of the Phase 2 development effort to include the costs for design, development, and test of the Scatterable Anti-tank Mine (AT-2) Warhead (SMW), and the costs of integrating the SMW into the MLRS for effective delivery less the financial contribution of IT, in addition to bearing other direct costs which will be incurred as a result of tasks assigned by GE national agencies and contractors in support of the overall program. These GE development costs will ultimately be shared among the Participants entering into the Procurement Program in accordance with the terms in paragraph 8.3.

8.2.3 IT will contribute \$10 million in respect of the two years 1982-1983 to the cost of the Phase 1 and Phase 2 development effort in addition to bearing other cost which will be incurred as a result of tasks assigned to IT national agencies and contractors in support of the overall program. Signature of this Supplement by IT constitutes a commitment to pay \$5 million to the US by 31 October 1982. The 1983 payment will be made in two installments. The first installment payment of \$1 million will be made by 31 January 1983, with \$0.460 million to the UK and \$0.540 million to the US. The final installment payment of \$4 million will be made by 30 April 1983 with \$0.460 million to FR and \$3.540 million to the US. These IT development costs will ultimately be shared among the Participants entering the Procurement Program in accordance with the terms of paragraph 8.3.

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8.2.4 Participants will set forth the individual responsibilities for the program costs of Phase 3 projects and the basis for cost sharing in Phase 3 supplements in which they are involved.

8.2.5 Participants will bear, individually in the first instance, the costs of their national personnel working in the PMO and in national project offices. Such costs will include salaries benefits, housing, station supplements, personal allowances, and travel on change of assignment. These costs and the costs of management overhead will ultimately be included in the shared costs of the program.

8.2.6 Participants will bear, individually, the direct and administrative costs (e.g., travel and per diem) of their national personnel assigned part-time to Working Groups and Committees in which the representation is shared equitably (e.g., the JSC). These costs will not be included in the shared costs of the Program.

8.2.7 National variations from the product baseline configuration are discouraged and the development costs of any such design variations will not be included in the shared costs of the Program.

8.2.8 Technology Transfer Plans (TTP) will be prepared at the direct expense of each using Participant and will not be included in the shared cost of the Program.

8.2.9 Each requesting Participant will bear, individually, the costs of the adaptation of Technical Data Packages (TDP) for transfer of production from the developing Participant to a non-developing Participant to include any prior planning costs. Such costs will not be included in the shared costs of the Program.

8.2.10 Data provided by one Participant to another will not normally be translated before transfer; however, whenever requested, assistance in translation may be furnished by the originator or his contractor(s) at cost to the receiving Participant or his contractor(s).

8.2.11 Participants will bear, individually, or in the case of a European consortium, collectively, fees and royalties incurred as a result of obtaining licenses for production of items to which proprietary or other valid claims are made by owners of such property rights.

8.3. DEVELOPMENT PROGRAM COST RECOUPMENT

Development program costs, to the extent they exceed the agreed individual share of such costs, will be recovered among the Participants during the Procurement Program in accordance with the following:

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8.3.1 The recoupment of development program costs by any Participant from the other Participants will be limited to the actual expenditures of that Participant less its own share of total development costs.

8.3.2 Recoupment of development costs among the Participants will be made only on the basis of original end items of equipment to include the weapon system, ammunition, and systems peculiar auxiliary equipment; not on spare parts, repair work, or logistics support services.

8.3.3 The development cost shares for each Participant will be established on the basis of that Participant's pro rata share of the total end item quantities of hardware including ammunition actually procured for the Participant's own national defense purposes over a period of 10 years from the start of national contracting for production by each Participant.

8.3.4 The actual Program costs incurred during development will be offset against the agreed share of total development costs for each Participant.

8.3.5 Payment of recoupment costs to a Participant whose program costs have exceeded its agreed share will be made annually on the basis of a percentage of the total annual procurement expenditures of each Participant whose agreed share exceeds his actual program costs. The planned recoupment schedule for each Participant will be set forth in a Procurement Supplement, based on the end item quantities of hardware each Participant plans to procure over the initial 10-year procurement period for its own national defense purposes.

8.3.6 Development cost recoupment to be added to the base price of US developed items procured by UK, GE, and FR from US or European sources will be in accordance with the provisions of paragraph 8.3.6 of the Basic MOU. Development cost recoupment to be added to the base price of US developed items procured from US sources by IT for its own defense purposes will not exceed four percent of the base price of the item. Recoupments to be added to the base price of US developed items procured in Europe for IT's own defense purposes will not exceed six percent of the base price of the item.

8.3.7 Recoupments among Participants will begin with the delivery of the first end item to the Participants whose program costs are less than its agreed share and will continue until the recoupment is completed. Development costs to be recouped will be subject to adjustment for economic escalation every 3 years. Development cost recoupments among Participants which have not been concluded at the end of 25 years from the effective date of the Basic MOU will be written off.

8.3.8 It is envisioned that the Participants will establish a program for sales to Non-Participants and distribute production for sales to Non-Participants in accordance with the economic principles set forth in paragraph 9.3.3. Development cost recoupment will be determined by the selling Participant, but will not exceed eight percent of the base price on sales for other member nations of NATO and will be not less than eight percent of the base price of the item for sales to non-NATO nations. The recoupments on sales to all third parties will be distributed among the Participants in accordance with the percentage contribution each Participant has made to total development costs as of the year the sale is made.

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8.3.9 There is no time limit or restriction of the recovery of development costs as a result of sales to Non-Participants. Research and development cost recovery from Non-Participants may continue to reduce each Participant's development cost over the life of the system.

8.4 ADMINISTRATION

8.4.1 For the purposes of accounting for shared costs, the Program Coordinator will maintain such records as are necessary to account for actual expenditures and will, not less frequently than annually, project potential future development cost requirements. Updated schedules of projected future development costs will be provided to all Participants through their National Project Managers not less frequently than annually. The records of actual development cost will be provided all Participants through their National Project Managers on a quarterly basis. A certified statement of such records will be provided the Participants as of 30 September of each year.

8.4.2 National Project Managers will be responsible for developing detailed cost estimates for requirements to accomplish their portion of the development program and for providing these cost estimates to the Program Coordinator in a timely manner.

8.4.3 The arrangements in this Supplement are subject to the availability of nationally appropriated/voted funds. National Project Managers will notify the Program Coordinator in a timely manner of any problem encountered in obtaining funds required to execute the agreed program.

8.4.4 National Project Managers will be responsible for administering and obligating all funds provided to them for the accomplishment of national tasks. Funds transferred from one Participant to another will become the responsibility of the receiving Project Manager.

8.4.5 Payment due to the US under the provisions of 8.2.3 will be issued to the US fiscal officer providing financial support to the Project Manager for disbursement. Such payment from IT will be deposited in the US not later than 31 October 1982, with a second payment to be made not later than 31 January 1983 and the final payment not later than 30 April 1983. Instructions for payment to each Participant will be provided IT within 30 days of signature of this Supplement. Payments to the US should be in US dollars by check made out to the Treasurer of the US.

8.4.6 Costs resulting from the activities of personnel assigned to the PMO, incurred as a result of the directives of the Program Coordinator, will be paid by the fiscal officer supporting the PMO. Administrative costs to be paid with PMO funding specifically include travel and per diem costs incurred in the execution of program management function. Per diem will be paid at US rates.

8.4.7 Fiscal years will be calendar years with respect to financial obligations under this Supplement.

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8.5 CONTRACT PROVISIONS

Development contracts awarded in respect to the MLRS or its components will contain provisions whereby obligations to the contractor for reimbursement of costs (including costs of termination) will be limited to the amount of the total estimated cost established under such contracts. Development contracts awarded in respect to MLRS or its components will contain provisions which limit the obligation to reimburse the contractor to the amount from time to time allotted to the contract.

8.6 LIMITATION OF DEVELOPMENT FINANCIAL COMMITMENT

8.6.1 The national financial commitment for approved development projects associated with Phases 1, 2, and 3 will extend through each step of the development cycle. The extent of financial commitment of each Participant will be re-established jointly at each program decision point by the JSC. Decision points are initiation of Concept Definition, Validation, and Maturation.

8.6.2 For the Phase 1 project, the goal for US commitment to Validation is established as \$146,000,000. Upon approval by the US Government and the JSC for Maturation, the goal for US commitment is increased to \$248,000,000, for a total Phase 1 development projects of \$278,000,000 (includes FR and UK commitment). The threshold of commitment shall be 115 percent of the goal, escalated for economic conditions. A forecasted breach of this threshold will cause the US to consult the other Participants. Of the IT contribution \$7,608,000 will be used against the cost of the Phase 1 development project, and \$920,000 will be divided equally between the UK and FR.

8.6.3 For the total Phase 2 development project, the goal for GE commitment is established as DM 96,000,000. The threshold of commitment shall be 115 percent of the goal, escalated for economic conditions. A forecasted breach of this threshold will cause GE to consult with the other Participants. The goal for GE expenditures in the US on this project is \$15 million (in 1979 dollars). A cost growth exceeding 15 percent in this portion of the project (excluding inflation) will be borne by the US. Of the IT contribution paid to the US \$1,472,000 will be used against the cost of the Phase 2 development project to borne by GE.

8.6.4 The costs in 8.6.3 reflect economic conditions as of 1 January 1979 and will be adjusted to reflect actual economic conditions on 1 January on each subsequent year in which the expenditures occur. The threshold of 115 percent is in addition to adjustments for economic inflation.

8.6.5 National financial commitments for Phase 3 projects will be consistent with the concepts established for Phases 1 and 2.

8.7 LIMITATION OF PROCUREMENT EXPENDITURES

This Supplement does not obligate Participants to procurement expenditures which remain a unilateral decision on the part of each Participant.